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Section**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

FEB 29 2008

Washington, DC  
112

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING January 1, 2007 AND ENDING December 31, 2007  
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION****NAME OF BROKER-DEALER:**

Focus Capital Group, Inc.

OFFICIAL USE ONLY

FIRM ID: NO. 143240

**ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)**701 Xenia Avenue South, Suite 130

(No. and Street)

Minneapolis, MN 55416

(City)

(state)

(Zip Code)

**NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT**

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION****INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\***Meuwissen, Flygare, Kadrlik, & Associates, P.A.

(Name - if individual, state last, first, middle name)

6400 Flying Cloud Drive, Eden Prairie, MN 55344

(Address)

(City)

(state)

Zip Code)

**CHECK ONE:**☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

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FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240-17a-5(e)(2).

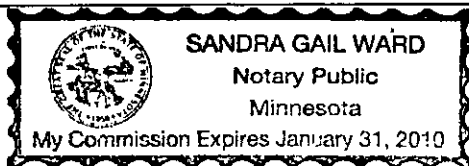
SEC 1410 (3-91)

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at  
3/27

## OATH OR AFFIRMATION

I Edward S. Adams swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Focus Capital Group, Inc. as of February 28, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



  
Notary Public



Signature

Chairman of the Board and CEO

Title

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

FOCUS CAPITAL GROUP, INC.  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007

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*Certified Public Accountants & Consultants  
Meuwissen, Flygare, Kadrlik & Associates, P.A.*

## INDEPENDENT AUDITORS' REPORT

To the Stockholder's of  
Focus Capital Group, Inc.  
Minneapolis, Minnesota

We have audited the balance sheet of Focus Capital Group, Inc. as of December 31, 2007, and the related statements of operations, stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Focus Capital Group, Inc. as of December 31, 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is required by rule 17a-5 under the securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Meuwissen, Flygare  
Kadrlik & Associates, P.A.*

Minneapolis, Minnesota  
February 28, 2008



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Eden Prairie, MN 55344

FOCUS CAPITAL GROUP, INC  
BALANCE SHEET  
DECEMBER 31, 2007

ASSETS

Current assets	
Cash	\$ 17,707
Furnishings and equipment, at cost	64,178
Less accumulated depreciation	<u>(29,890)</u>
	34,288
Other assets	
Deposits	<u>12,400</u>
	<u>\$ 64,395</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	
Accounts payable	\$ 4,961
Stockholder's equity	
Common stock, \$0.01 par value; 1,000,000 shares authorized and 100,000 shares issued and outstanding	1,000
Additional paid-in capital	377,500
Accumulated deficit	<u>(319,066)</u>
	59,434
	<u>\$ 64,395</u>

See notes to financial statements.

FOCUS CAPITAL, INC.  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2007

Revenues	
NASD merger proceeds	\$ 35,000
Interest income	1,182
Total revenues	<u>36,182</u>
Expenses	
Employee compensation and benefits	18,268
Regulatory fees and expenses	10,300
Other expenses	117,374
Total expenses	<u>145,942</u>
Net loss	<u>\$ (109,760)</u>

See notes to financial statements.

FOCUS CAPITAL, INC.  
STATEMENT OF STOCKHOLDER'S EQUITY  
YEAR ENDED DECEMBER 31, 2007

	Common Stock	Additional Paid-in Capital	Accumulated Deficit
Balance at January 1, 2007	\$ 1,000	\$ 320,000	\$ (209,306)
Capital contributed		57,500	
Net loss			(109,760)
Balance at December 31, 2007	<u>\$ 1,000</u>	<u>\$ 377,500</u>	<u>\$ (319,066)</u>

See notes to financial statements.

FOCUS CAPITAL GROUP, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2007  
Increase (decrease) in cash

Operating activities	
Net (loss)	\$ (109,760)
Adjustments to reconcile net (loss) to net cash from operating activities:	
Depreciation and amortization	2,715
Changes in operating assets and liabilities:	
Accounts payable and other current liabilities	<u>4,961</u>
Net cash from operating activities	(102,084)
Investing activities	
Purchase of property and equipment	<u>(6,497)</u>
Net cash from investing activities	(6,497)
Financing activities	
Capital contributions	<u>57,500</u>
Change in cash	(51,081)
Cash at beginning of year	<u>68,788</u>
Cash at end of year	<u>\$ 17,707</u>

See notes to financial statements.

FOCUS CAPITAL GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies

Nature of Business

Focus Capital Group, Inc. (the Company) operates as a broker/dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company provides services as a broker in mergers and acquisitions and represents issuers through solicitation and sales of equity in private placements of capital stock.

Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Depreciation

Depreciation of furnishings and equipment is computed using accelerated methods over useful lives of 5 to 7 years.

Income Taxes

The Company has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Off Balance Sheet Risk

The Company's bank account balance generally is not in excess of federally insured limits. At December 31, 2007, the Company does not hold any financial instruments with off balance sheet risk.

FOCUS CAPITAL GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS

2. Lease commitments

The Company leases corporate office space under a long term operating lease. The lease expires in January 2009 and monthly rent is currently \$3,921. Rent expense under the lease was \$74,213 in 2007.

Future minimum commitments under this operating agreement are as follows:

2008	\$ 47,360
2009	\$ 3,983

3. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital of \$5,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2007, the Company had net capital of \$12,746 which was \$7,746 in excess of it required net capital. The Company's aggregate indebtedness to net capital ratio was .39 to 1.

4. Regulation

The Company is registered as a broker-dealer with the SEC. The securities industry in the United States is subject to extensive regulation under both federal and state laws. The SEC is the federal agency responsible for the administration of the federal securities laws. Much of the regulation of broker-dealers has been delegated to self-regulatory organizations, such as the NASD, which had been designated by the SEC as the Company's primary regulator. These self-regulatory organizations adopt rules, subject to approval by the SEC, that govern the industry and conduct periodic examinations of the Company's operations. The primary purpose of these requirements is to enhance the protection of customer assets. These laws and regulatory requirements subject the Company to standards of solvency with respect to capital requirements, financial reporting requirements, record keeping and business practices.

5. Customer Protection Rule

The Company had no items reportable as customers' fully paid securities: (1) not in the Company's possession or control as of the audit date (for which instructions to reduce to possession or control had been issued as of the audit date) but for which the required action was not taken by the Company within the time frames specified under Rule 15c3-3 or (2) for which instructions to reduce to possession or control has not been issued as of the audit date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

The Company is exempt from SEC rule 15c3-3 pursuant to the exemptive provisions under subparagraph (k) (2) (i) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

*Supplementary Information*

FOCUS CAPITAL, INC.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND  
EXCHANGE COMMISSION  
YEAR ENDED DECEMBER 31, 2007

Net Capital	
Total stockholder's equity	\$ 59,434
Deduct stockholder's equity not allowable for net capital	-
Total stockholder's equity qualified for net capital	<u>\$ 59,434</u>
Additions: none	
Deductions:	
Non-allowable assets	\$ 46,688
Total deductions	<u>\$ 46,688</u>
Net capital before haircuts on securities positions	\$ 12,746
Haircuts on securities	-
Net capital	<u><u>\$ 12,746</u></u>
Aggregate Indebtedness	
Items included in statement of financial condition	
Accrued expenses and other payables	\$ 4,961
Total aggregate indebtedness	<u><u>\$ 4,961</u></u>
Computation of Basic Net Capital Requirements	
Minimum net capital required (62/3% of aggregate indebtedness) (A)	\$ 331
Minimum dollar net capital requirement for reporting broker or dealer (B)	<u>\$ 5,000</u>
Net capital requirement (greater of (A) or (B))	<u>\$ 5,000</u>
Excess net capital	<u>\$ 7,746</u>
Excess net capital at 1000%	<u>\$ 12,250</u>
Ratio: Aggregate indebtedness to net capital (percentage)	<u><u>.39 to 1</u></u>
Reconciliation with Company's Computation	
(Included in Part II A of Form X-17A-5 as of December 31, 2007)	
Net capital as reported in Company's Part II A (unaudited) Focus report	\$ 12,746
Year end adjustments	-
Net capital per above	<u><u>\$ 12,746</u></u>



*Certified Public Accountants & Consultants  
Meuwissen, Flygare, Kadrlik & Associates, P.A.*

**Independent Auditors' Report on Internal Accounting Control Required by SEC  
Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3**

To the Managing Member of

In planning and performing our audit of the financial statements and supplemental schedules of Focus Capital Group, Inc. (the Company) for the year ended December 31, 2007, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under the rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons.
2. Reconciliation of differences required by Rule 17a-13.
3. Complying with the requirements for prompt payment of securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitation in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also projection of any evaluation of them to future periods is subjected to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matter involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007, to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of Focus Capital Group, Inc. to achieve all the divisions of duties and crosschecks generally included in an internal control environment and that alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the use of Management, the Securities and Exchange Commission, the Pacific Exchange and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than those specified parties.

*Mennissen, Flygare  
Kadrlik & Associates, P.A.*

Minneapolis, MN  
February 28, 2008